HOTLINE

Purchasing managers see slowdown but expect the recovery to continue

While some statistics point to a downturn in the recovery, purchasing managers feel that the recovery is certainly not over yet and one manager sees it continuing into next year, depending on who is elected.

NEW YORK—The recent sharp economic increases reflected in statistics issued by the National Assn. of Purchasing Management seems to have abated, based upon more recent NAPM figures. The NAPM's *Purchasing Managers' Composite Index*, which reached its highest level in 10 years in December, fell from that 70.6% level to 61.1% in January.

The economic recovery does not appear to be over, but is only slowing, according to an explanatory report issued by Charles T. Haffey, C.P.M., chairman of NAPM's business survey committee.

"The economy continued to improve in January but at a slower rate than in December. While incoming new orders, production and employment were better in January, the rate of increase in each of these areas dropped," the report said.

Back in December, NAPM issued its semi-annual economic forecast, according to Haffey, and it was fairly optimistic about 1984. NAPM members expected the first half of this year to be better than the last half of 1983, and they expected the second half of this year to be slightly better than the first half.

Slow-down expected

At the time of the report, NAPM members anticipated that the recovery would continue, but that there would be "a slowing down in the growth-rate of the economy in the second half of the year," Haffey said.

However, since, as Haffey observed, purchasing managers tend to be more optimistic than most people, and in light of January's figures, their projection on the timing of the recovery's slowdown may have to be moderated.

According to Curt Cornell, manager of materials supply, energy and materials division, Air Products & Chemicals Inc., Allentown, PA, it is too early to say that the recovery is over or on its way down.

"We are looking very closely at the statistics and the recovery appears to be slowing down some, but it may be just catching its breath and getting ready to continue," Cornell said. "We are not forecasting the economy to go down for at least the next six months."

Percent Reporting

	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. and Longer
Production Materials					
January	9	35	33	14	9
December	12	36	32	13	7
November	11	40	32	11	6
MRO Supplies					
January	33	48	13	4	2
December	35	46	12	4	3
November	37	44	12	5	2
Capital Expenditures					
January	11	7	8	15	59
December	14	6	8	15	57
November	14	6	8	16	56

The economic recovery seen by Air Products & Chemicals, a company that does between $30 to $50 million in business with industrial distributors yearly, has been one of a gradually increasing nature and the company can see this continuing into next year if Reagan is reelected, Cornell said.

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"The recovery has been gradual enough so that people have been able to gear up for it and stock materials. We have not seen shortages or dramatically lengthened lead times," according to Cornell.

NAPM reports that inventories are continuing to increase slightly, a trend that began late last year. Also, purchasing managers are becoming more willing to buy their production materials and MRO supplies further in advance.

Hand-to-mouth orders go down

Statistics back up this observation. According to NAPM's latest available figures, hand-to-mouth orders for three major categories, production materials, MRO supplies and capital expenditures are all on the decline. Correspondingly, longer term orders, for the most part, are increasing.

Anticipating a slowdown in the recovery has been Jerry J. Jasinowski, executive vice president, National Assn. of Manufacturers. "The economy is both stronger and more volatile than generally perceived. 1984 will start off with a bang, slow sharply by mid-year, and pick up again in the fourth quarter," he said in his 1984 economic outlook.

Jasinowski predicted that the quarterly real GNP figures for 1984 would be 6.6%, 3.6%, 3.0% and 4.6%. He attributed his predicted sharp drop in second quarter GNP growth primarily to continuing high real interest rates and a corresponding slowdown in the pace of inventory accumulation.

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